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SUBJECT: BERBICE RIVER BRIDGE AGAIN INCHES TOWARD REALITY

¶1. SUMMARY: The GOG's point person on the one-mile long Berbice River Bridge project, which would connect the agricultural east Berbice region with the central coast and Georgetown, has predicted completion of the bridge by October 2007. Significantly, funding for the US\$37.2 million dollar project is expected to come from private sector shareholders, though details remain uncertain. END SUMMARY.

¶2. Head of the GOG privatization unit, Winston Brassington, told a parliamentary subcommittee on March 8 that he expects construction of the Berbice River Bridge to be completed by October 2007. Brassington expects construction to begin in April 2006, following conclusion of contract negotiations with the UK/Netherlands consortium that won the bid in January. Brassington's statement follows President Jagdeo's announcement during a visit to the region on March 7 that a contract would be awarded by the end of the month.

¶3. The bridge itself is forecast to cost G\$7.4 billion (US\$37.2 million) and be financed by a debt/equity mixture. An October 2004 feasibility study by the Louis Berger Group found the project economically feasible provided the cost of construction does not exceed US\$37.5 million. The build-own-operate-transfer arrangement assumes cost recovery through toll collection. In addition, the IDB has pledged US\$11 million for access roads leading to the bridge once construction has commenced.

¶4. Parliament passed a bill authorizing construction of the bridge in December 2005. The bill also established a private special purpose corporation, Berbice Bridge Company Incorporated (BBCI), to finance the venture. Four shareholders will hold BBCI's equity -- Clico Life and General Insurance Company, Hand in Hand Insurance, Secure International Finance Company, and the National Insurance Scheme (Guyana's pension fund). Brassington also identified a potential fifth shareholder, though he declined to name it to the parliamentary committee or during a follow-up conversation with EconOff. Media speculation has centered on the New Building Society (NBS), a publicly-chartered housing finance corporation. The act authorizing the bridge's construction includes language allowing the NBS to invest in debt instruments issued by the BBCI. However, some NBS shareholders and directors have reportedly resisted efforts to amend the society's charter to allow it to invest in such a project without a GOG guarantee on the investment.

¶5. COMMENT: The Berbice Bridge has been an apple in the GOG's eye since the early 1990's, and this is not the first time it has neared fruition. In 2002, a Dutch contractor received a contract to build a similar bridge, only to withdraw shortly before breaking ground. Not surprisingly, while the opposition has expressed conceptual support for a bridge across the Berbice River, some have dismissed the current proposal as an election-year ploy and attempted to

cast suspicion on the timing of the project. To some extent, the GOG has taken a substantial risk in proclaiming the project's imminent commencement if details on financing are not yet in place. However, the GOG may also figure that breaking ground in the run up to the elections will allow for some added political capital. This would be especially useful in the Berbice region, a traditional stronghold of the ruling PPP party where dissatisfaction with the government is reportedly on the rise. END COMMENT.

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